

Attorneys for Defendants
AEROFLEX, INC.,
AMI SEMICONDUCTOR, INC.,
MATROX ELECTRONIC SYSTEMS LTD.,
MATROX GRAPHICS INC.
MATROX INTERNATIONAL CORP., and
MATROX TECH, INC.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

RICOH COMPANY, LTD.,

Plaintiff,

VS.

AEROFLEX INCORPORATED, AMI
SEMICONDUCTOR, INC., MATROX
ELECTRONIC SYSTEMS, LTD., MATROX
GRAPHICS INC., MATROX
INTERNATIONAL CORP., and MATROX
TECH, INC.,

Defendants.

Case No. CV 03-04669 MJJ (EMC)

DEFENDANTS' OPPOSITION TO MOTION TO CONTINUE MOTION FOR JUDGMENT ON THE PLEADINGS

Date: N/A

Time: N/A

Ctrm: N/A

Judge: Hon. Martin J. Jenkins

1 I. INTRODUCTION

2 Ricoh asks the Court to continue the Defendants' Motion for Judgment on the Pleadings under
 3 Fed. R. Civ. P. Rule 12(c) (D.I. 100) on the grounds that Ricoh's proposed amendment of its complaint
 4 renders the 12(c) motion moot. This is false. Ricoh's proposed amendment in response to the
 5 Defendants' motion adds a new theory of patent infringement under 35 U.S.C. § 271(a) not advanced
 6 in its original complaint, thereby accusing an entirely new set of activities under a new legal theory not
 7 previously set out in the complaint. Ricoh's amendment does not, however, delete the original
 8 infringement allegations under 35 U.S.C. § 271(g), to which Defendants' motion was directed.
 9 Defendants' motion, therefore, remains relevant.

10 Ricoh's misleading claim that the Defendants' Rule 12(c) motion is mooted is a desperate
 11 attempt to avoid or defer the day on which the legal adequacy of Ricoh's Section 271(g) allegations is
 12 weighed. In basing its original infringement contentions on Section 271(g), Ricoh hoped to extend the
 13 scope of its U.S. patent number 4,922,432 ('432 patent), which claims only a process for designing
 14 integrated circuits, to make an infringement case against semiconductor devices sold or imported into
 15 the United States, regardless of where they were designed or fabricated. To that end Ricoh sent
 16 demand letters to Synopsys' customers that were known to have their design (and manufacturing)
 17 facilities located in Asia (see Declaration of Erik K. Moller at ¶ 2 ("Moller Decl.")), and, in the present
 18 litigation, sued Matrox companies that did no semiconductor design work in the United States. The
 19 Defendants' motion explains why Section 271(g) cannot, under its own terms, be applied to Ricoh's
 20 patent.

21 Ricoh's wish to amend its complaint to accuse a new class of activities does not alter the
 22 relevance, timeliness or importance of Defendants' motion. The Defendants' motion would
 23 dramatically simplify the present case, reducing the potential scope of application of Ricoh's patent.
 24 Because an infringement theory under Section 271(a) would not reach the importation or sale of goods
 25 manufactured using a patented method, the new infringement allegations under Section 271(a) cannot
 26 be made against companies that use Synopsys' software outside the boundaries of the United States.
 27 There are important reasons not to defer resolution of the Defendants' motion. Determination of the
 28

Defendants' motion will give Synopsys customers outside the United States that have been threatened by Ricoh judicial confirmation that Ricoh's patent cannot be applied to reach their activities abroad, as Ricoh alleged in its original complaint. Furthermore, the scope of the present case will be dramatically simplified, since the Court will be deciding that the products of the Matrox companies designed outside the United States cannot be accused of infringing Ricoh's patent.

II. ARGUMENT

A. Ricoh's proposed amendment amends the complaint to accuse an entirely new set of activities under a new legal theory, but does not moot Defendants Rule 12(c) motion since it retains the allegations that are the subject of that motion.

With its proposed amendment, Ricoh seeks to add an allegation of infringement under Section 271(a) to the pre-existing allegation of infringement under Section 271(g). As explained in the Defendants' motion, Ricoh's original complaint alleges infringement of its '432 patent only under section 35 U.S.C. § 271(g) by all six defendants regardless of the location of their design operations. The claims from the '432 patent asserted by Ricoh in its complaint are all method claims. Method claims have a dramatically different scope under Sections 271(a) and 271(g). Under Section 271(g), the sale, importation or use, in the United States, of goods made by the infringing method can be held to be an infringing activity, regardless of whether the goods were manufactured in the United States or not. *See* 35 U.S.C. § 271(g). However, Section 271(g) can only be invoked to enforce method claims that describe methods used directly in the manufacture of an article of commerce. *See Bayer AG v. Housey Pharmaceuticals, Inc.*, 340 F.3d 1367, 1378 (Fed. Cir. 2003). In contrast, Section 271(a) cannot be used to reach the sale of manufactured goods if the patent at issue involves a method claim. Under Section 271(a), a method claim is infringed only on those occasions on which the method itself is practiced within the United States. *See* 35 U.S.C. § 271(a). These sections, therefore, address separate and non-overlapping activities that can be found to constitute infringement of a method claim. Section 271(a) relates only to the actual practice of the patented method within the United States. Section 271(g) relates to sale or use of goods manufactured using the patented method.

1 In its motion, and in the amending language that it proposes, Ricoh avoids its obligation under
 2 Fed. R. Civ. P. Rule 8(a) to make a “plain statement” of the bases for its claim. The wording of
 3 Ricoh’s proposed amendment seems designed to avoid Defendant’s Rule 12(c) motion on the propriety
 4 of pleading infringement under Section 271(g) by the artifice of mixing language pleading
 5 infringement under Section 271(a) into Ricoh’s original Section 271(g) infringement allegations. This
 6 is completely incompatible with Fed. R. Civ. P. Rule 10(b), which requires that “[e]ach claim founded
 7 upon a separate transaction or occurrence ... shall be stated in a separate count.”

8 Despite the fact that Ricoh seeks permission to amend its complaint in a manner that mixes the
 9 language making out a theory under Section 271(a) into the pre-existing language pleading
 10 infringement under Section 271(g), a review of the proposed amendment makes plain that Ricoh is
 11 asking to plead these separate factual and legal theories. In a letter to Defendant’s counsel, Ricoh
 12 identified the alterations that it wished to make to the pleading as follows:

13 ~~22-23.~~ Upon information and belief, AMI has been and is now infringing the ‘432 Patent by
 14 ~~20~~ utilizing in the United States the process of one or more of claims 13-17
 15 ~~21~~ of the ‘432 Patent as part of the process of manufacturing application specific integrated
 16 ~~22~~ circuits, and/or by selling, offering to sell and/or importing into the United States, application
 17 ~~23~~ specific integrated circuits designed made with the use and/or by or using information
 18 ~~24~~ generated by, the process of one or more of claims 13-2017 of the ‘432 Patent, either literally
 19 ~~25~~ or under the doctrine of equivalents.
 20 ~~26~~
 21 ~~27~~
 22 ~~28~~

22 See Moller Decl., Ex. B.

23 In contrast, in its moving papers, Ricoh presents an incomplete (and misleading) identification
 24 of the changes that it is seeking to make to the complaint. See Ricoh Motion at 5, lines 2-10.

25 As described in Defendants’ motion, the language of the original complaint closely matches the
 26 provisions of Section 271(g). The amendments that Ricoh proposes insert a large, new block of text
 27 (“utilizing in the United States the process of one or more of claims 13-17 of the ‘432 Patent as part of
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1 the process of manufacturing application specific integrated circuits”) that lays out the elements of an
 2 infringement allegation under Section 271(a). This Section 271(a) allegation is followed by an
 3 “and/or” and then by language that is mostly from the original complaint (“selling, offering to sell
 4 and/or importing into the United States, application specific integrated circuits made with the use
 5 and/or the process of one or more of the claims 13-17 of the ‘432 Patent”) and that is directed to
 6 infringement under Section 271(g).

7 Although the Defendants will separately respond to Ricoh’s motion to amend in accordance
 8 with the briefing schedule for that motion, the Defendants note here that Ricoh’s request for leave to
 9 amend to add a new Section 271(a) claim should be denied. The Ninth Circuit has made clear that
 10 “where the movant presents no new facts but only new theories and provides no satisfactory
 11 explanation for his failure to fully develop his contentions originally” leave to amend should be denied.
 12 *See Bonin v. Calderon*, 59 F.3d 815, 845 (9th Cir.1995); *see also Allen, v. City of Beverly Hills*, 911
 13 F.2d 367, 374 (9th Cir. 1990) (“[A] district court does not ‘abuse its discretion in denying a motion to
 14 amend a complaint . . . when the movant presented no new facts but only “new theories” and “provided
 15 no satisfactory explanation for his failure to fully develop his contentions originally.””) (citations
 16 omitted). Here Ricoh seeks to amend to add this new legal theory based on Section 271(a) without
 17 providing any explanation to the Court as to why it failed to allege infringement under that section in
 18 its original complaint. Thus, Ricoh’s request for leave to add a claim under 271(a) should be denied.

19 Similarly, Ricoh’s efforts to re-word its claim under Section 271(g) in its proposed amendment
 20 should also be rejected. Specifically, as pointed out in the Defendants’ Rule 12(c) motion, there is no
 21 legal basis for alleging an infringement claim for the patented processes of the ‘432 patent under
 22 271(g). Thus, Ricoh’s attempt to do so should not only be denied as futile but as a bad faith attempt to
 23 burden and prejudice the Defendants with this legally insufficient claim.

24 Even if the Court determines to allow Ricoh to amend its complaint to add a cause of action
 25 under Section 271(a), it will still be important and appropriate for the Court to address the adequacy of
 26 Ricoh’s Section 271(g) allegations. Ricoh’s assertion that granting the motion to continue will not
 27 cause the Defendants any prejudice is false. A determination by the Court that Section 271(g) does not
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1 apply will allow Synopsys to reassure its foreign customers that Ricoh cannot assert infringement of its
2 U.S. patent based on their use of Synopsys' products abroad. In addition, resolution of the Section
3 271(g) question will have a direct impact on the scope of the present litigation. Two of the defendants
4 in this case, Matrox Electronic Systems, Ltd. ("Matrox Electronics") and Matrox Graphics, Inc.
5 ("Matrox Graphics") are Canadian companies that do no engineering or other product design work in
6 the United States. If the Defendants are correct, and Ricoh cannot allege infringement of the '432
7 patent under Section 271(g), then Ricoh's case against Matrox Electronics and Matrox Graphics must
8 be limited to the question of whether they practice Ricoh's patented design method in the United
9 States. At the present time, Ricoh is aggressively seeking discovery from Matrox Electronics and
10 Matrox Graphics regarding their design activities in Canada. This discovery is not relevant, and can be
11 avoided, if the Court grants the Defendants' motion. Finally, the determination will have a profound
12 impact on the scope of discovery, even as to those Defendants accused of practicing the claimed
13 method within the United States. If Ricoh is limited to a theory of infringement under Section 271(a),
14 then liability is limited to alleged instances of use of Ricoh's claimed method. Discovery relating to
15 the sale or use of integrated circuits manufactured by the Defendants will not be relevant, which will
16 dramatically simplify the scope of this litigation.

17 **B. The Court can give Defendants' Judgment on the Pleadings as to the cause of**
18 **action under Section 271(g) while at the same time allowing Ricoh to add a cause**
19 **of action under Section 271(a).**

20 Ricoh's attempt to amend its complaint and the Defendant's Motion for Judgment on the
21 Pleadings are directed to distinct and separable issues. In its motion for leave to amend, Ricoh will ask
22 for leave to amend its complaint to allege infringement under Section 271(a). Defendants' Motion for
23 Judgment on the Pleadings seeks a determination that Ricoh cannot, as a matter of law, sustain
24 allegations of infringement under Section 271(g). There is no reason that the Court cannot address
25 both issues in separate and/or simultaneous motions.

26 Even if the Court allows Ricoh to add a Section 271(a) cause of action, the Court can still grant
27 judgment on the pleadings under Rule 12(c) as to a particular cause of action alleged by Ricoh. *See*
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1 *Carmen v. San Francisco Unified School Dist.*, 982 F.Supp. 1396, 1401 (N.D. Cal. 1997). The fact
2 that Ricoh proposes to ignore Fed. R. Civ. P. Rule 10(b) and to mix the allegation of infringement
3 under Section 271(a) into the wording making an allegation of infringement under Section 271(g) does
4 not alter the fact that these are separate and independent grounds for asserting infringement, and that
5 the Defendants can seek to have these grounds independently stricken under Rule 12(c). The
6 substance of the allegations govern – not the form of Ricoh’s pleading.

7
8 **III. CONCLUSION**

9 For the foregoing reasons, Ricoh’s motion to continue the Defendants’ Motion for Judgment on
10 the Pleadings should be denied.

11 Dated: February 20, 2003

Respectfully submitted,

12 HOWREY SIMON ARNOLD & WHITE, LLP

13
14 By: /s/Erik K. Moller

15 Erik K. Moller
16 Attorneys for Defendants
17 AEROFLEX INCORPORATED, AMI
18 SEMICONDUCTOR, INC., MATROX
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